

COLUMNS

The new HQ for innovation labs? Your retail store

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By **Babs Ryan**

"Help improve REI mobile." The sign was on a table next to the fireplace in REI's Seattle flagship store.

Close to 100 customers stopped by on a busy Saturday to sit and chat to two onsite developers about the best way to recreate and translate the retailer's superior bricks-and-mortar customer experience, outdoor gear and expertise to their mobile phones.

Brad Brown, senior vice president of digital retail for REI, said this about the Agile Innovation Lab at the 2014 Shop.org Summit: "It starts with a wireframe or design. They [the developers] get some input from customers, and then they can modify that design and talk to another customer, and get more input. And we keep building and building and building. We get a tremendous amount of throughput in one session, in one store, in one day."

Staples Velocity Lab, Home Depot BlackLocus and @WalmartLabs were the outposts and off-site innovation labs' poster children of yesteryear. These mega-retailers grew to understand that innovation pioneers need to be removed from process-driven, rules-laden retail headquarter cultures. But they missed a critical key to success.

If innovation is going to be customer-centric, the actual hands-on designing and building of the technology needs to be centered where the customer is. "We are all in on customer-centered design [for digital] and our stores can play an amazing role in this," Mr. Brown said.

Instant shopper feedback: Priceless

In September 2014, 60 amateur developers, designers and entrepreneurs coded among United Kingdom shoppers at the world's first hackathon in a shopping center in London's Westfield Mall, which includes more than 350 retail stores from basics to luxury.

The mission of the hackathon, titled "Future Fashion: The 24-Hour Hack," was to create new technological ways to enhance the shopper experience by connecting fashion, beauty and retail.

In addition to creating customer-focused shopping solutions, the hackathon also drove increased footfall by tapping into "retailtainment," entertaining thousands of curious shoppers that were happy to give feedback to the hackathon teams, trying their hand at coding for kids, playing with wearable tech, and experiencing 3D augmented reality.

As well in 2014, some 9,000 miles away in Australia, the country's largest supermarket chain, also took steps to implement its own innovation lab.

Among soup cans, pasta and jars of Vegemite, Woolworth's set up an in-store innovation lab to increase basket size and frequency among professional women in its smaller urban stores.

and frequency among professional women in the suburbs, urban centers.

Lee Venaruzzo, agile transformation lead for Woolworth's, said, "We sketch something out. If we make a mistake, putting it in front of the customer and store associates allows us to pivot and change quickly and cheaply. If we're on the right track, we can iterate and grow that idea. We fail fast, succeed faster."

Getting out of the office and into the store enabled the Woolworth's team to rapidly understand their urban target market and build lightweight prototypes. Its hypothesis, that grab-n-go shoppers wanted a mobile checkout and payment application, was quickly dashed.

Instead, in just five days, a working prototype allowed time-starved grocery shoppers to quickly choose all dinner ingredients in one place by simply touching a meal image on an shelf-mounted iPad, grabbing the ingredients over the LED lit shelves, and taking a photo of or emailing the recipes to themselves.

The prototype was so successful, it was rolled out to include fast prep recipes from celebrity chef Jamie Oliver, becoming the grocer's highest traffic area.

Movers and shakers

In October 2014, a Bain & Company study reported that only 20 percent of companies are beyond the beginner stage in "fusing their digital and physical activities, creating competitive business advantages."

This not only gives a competitive advantage to retailers that continue tying digital and in-store realms in 2015, but also a unique opportunity to innovate based on instant, direct feedback from their customers throughout the inception, design and development phases.

These in-store innovation labs will reshape the in-store experiences via new SKUs, interactive and environment-altering digital walls, social events, beacons beyond typical couponing that deflates brand value and differentiation perceptions, and faster payment options.

THE IDEA OF taking digital innovation to physical store locations may be daunting to some, but retailers and brands need to think about the immediate, game-changing effects of designing and building that next great idea with their most loyal customers and sales associates at their side as an integral part of the team.

For retailers and brands that want to rise above the fray and shake it up in 2015, they must move outside of the corporate lab box to where the customers and associates are, and invite them to join the inception, design and development team.

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